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DE RUEHTA #2126/01 3020907

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FM AMEMBASSY ASTANA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 3668

INFO RUCNCIS/CIS COLLECTIVE 0738

RUEHZL/EUROPEAN POLITICAL COLLECTIVE

RUCNCLS/SOUTH AND CENTRAL ASIA COLLECTIVE

RUEHBJ/AMEMBASSY BEIJING 0138

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RUCPDOG/DEPT OF COMMERCE WASHDC

RUEKJCS/SECDEF WASHDC 0216

RUEAIIA/CIA WASHDC

RHMFUU/CDR USCENTCOM MACDILL AFB FL

RHEFAAA/DIA WASHDC

RUEHVEN/USMISSION USOSCE 2022

RUCNDT/USMISSION USUN NEW YORK 1971

RUEHNO/USMISSION USNATO 2307

RUEHBS/USEU BRUSSELS

UNCLAS SECTION 01 OF 02 ASTANA 002126

SENSITIVE

SIPDIS

STATE FOR SCA/CEN, ISN, H FOR SENATOR RICHARD LUGAR

E.O. 12958: N/A

TAGS: [PGOV](#) [PINR](#) [ENRG](#) [EINV](#) [OREP](#) [KNNP](#) [KZ](#)

SUBJECT: KAZAKHSTAN: ULBA METALLURGICAL PLANT SECURE AND
SUCCESSFUL

REF: ASTANA 1867

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: Poloff met on September 10 in
Ust-Kamenogorsk with several officials from the Ulba
Metallurgical Plant, Kazakhstan's leading uranium production
enterprise, to discuss the company's business plans. Ulba is
trying to increase its international cooperation, especially
with Russia, Japan, and China. Ulba's management also
remains focused on maintaining the safety of their
highly-secure facility. END SUMMARY.

FROM TOP SECRET TO ISO-CERTIFIED

13. (SBU) Located in Ust-Kamenogorsk, in East Kazakhstan
oblast, the Ulba Metallurgical Plant -- originally a
top-secret Soviet uranium production facility -- is currently
one of the world's largest producers of fuel for nuclear
power plants. In addition to uranium, the plant also
produces beryllium and tantalum byproducts. Ulba advertises
that its facility was certified in 1999 by General Electric
to supply uranium dioxide ceramic powder to the U.S. market
and was ISO certified in 2000. Ulba maintains that since
leading global companies such as General Electric,
Westinghouse, AREVA, NFI, and MNF certify its uranium dioxide
powders and fuel pellets, its products are among the highest
quality in the world. Ulba invested \$4 million over the last
four years to develop lower-cost and more effective uranium
production techniques. Ulba, which is one of the largest
enterprises in the world capable of processing a full
production-cycle of beryllium and tantalum, also announced
plans to begin a five-year \$20 million investment program to
improve its tantalum production line.

SEEKING MORE COOPERATION WITH RUSSIA, CHINA, AND JAPAN

14. (SBU) Poloff met on September 10 with two Ulba officials and one from Kazatomprom, majority owner of Ulba, to discuss Ulba's role in Kazakhstan's efforts to become a leading producer of uranium products. The meeting took place on the margins of a Global Initiative (GI) exercise conducted at Ulba (see reftel). Kazatomprom Deputy Security Director Victor Pshenichniy, Ulba Security Director Roman Nadtochniy, and Ulba Nuclear Materials Control and Accounting Director Yevgeniy Yasko underlined to poloff that Ulba has been very successful commercially and plans to continue to grow its scope of business. The three officials emphasized that Ulba is seeking cooperation with international partners, especially with Russia, China, and Japan.

15. (SBU) Pshenichniy reminded poloff that Kazakhstan does not currently enrich uranium, despite the fact that the country has some of the world's richest deposits of uranium. Thus, while Ulba produced highly enriched uranium (HEU) during the Soviet period, the bulk of the plant's current production involves turning lowly enriched uranium (LEU), imported into Kazakhstan from Russia, into fuel pellets for nuclear power facilities. The Ulba and Kazatomprom representatives hinted that they hoped cooperation with Russia would open up new business opportunities, but did not clarify whether this would take the form of more LEU fuel pellet production or production of other uranium products. (NOTE: Kazatomprom, majority owner of Ulba, is a partner in two uranium enrichment projects with Russia, both located in Angarsk, Russia: the International Uranium Enrichment Center and the Russian-Kazakh Uranium Enrichment Center. Analysts suggest that Kazatomprom may gain added value for its uranium exports from this cooperation. Russia, on the other hand,

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would like to gain guaranteed access to Kazakhstani uranium deposits, which are the second largest in the world. END NOTE.) Other areas of Ulba's cooperation with Russia include the production of high-precision equipment through Ulba subsidiary Mashzavod LLP and the production of hydrofluoric acid through Ulba Fluorine.

16. (SBU) Regarding cooperation with China and Japan, Ulba has a Chinese joint venture called Yingtan Ulba Shine Metal Materials Company Ltd., and also sells aluminium-beryllium master alloys through its subsidiary, Ulba-China Company Ltd. On its website, Ulba advertises its cooperation with Japanese companies NFI and MNF, as well as with General Electric Japan Ltd.

PLANT REMAINS SECURE

17. (SBU) All three officials emphasized that Ulba's main achievement has been avoiding any nuclear smuggling incidents as a result of its excellent physical security and accounting procedures. IAEA inspectors conduct a thorough annual inspection of the plant, especially the uranium production process. Poloff personally observed that the Ulba facility was, in fact, shut-down, ostensibly for an IAEA inspection, during the GI exercise.

HOPES FOR NUCLEAR COUNTER-TERRORISM CENTER

18. (SBU) Pshenichniy, an ethnic Russian with a Ministry of Defense background who has over 17 years of experience in the nuclear security field, stated that he is deeply worried about the potential for nuclear terrorism and that his goal is to establish a nuclear counter-terrorism center in Kazakhstan before he retires. For detailed information on Ulba's security, Pshenichniy occasionally deferred to Yasko, a "rising star" within Ulba's bureaucracy. Yasko, an ethnic Russian who spoke excellent English, had previously been to the United States on a training program for several months. Yasko was very willing to talk about Ulba's prospects with poloff, and expressed genuine appreciation for the Nunn-Lugar Cooperative Threat Program, explaining that much of Ulba's state-of-the-art security system is based on U.S. equipment

provided through the program.
HOAGLAND